



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Required Report - public distribution

Date: 9/3/2003

GAIN Report #MY3045

Malaysia

Oilseeds and Products

Update (August)

2003

Approved by:

B Borris

U.S. Embassy, Kuala Lumpur

Prepared by:

R Hoh

Report Highlights:

Malaysia's CPO production rose 5.4% to 1.28 MMT in July 2003. Carry-over stocks level at the end of July also rose to 1.0 MMT mainly due to reduced domestic use. PO exports rose to 1.15 MMT in July. Average local CPO price dipped further from US\$414/MT in July to US\$395/MT in August. Post revised total CPO output forecast in 2002/03 to 13.3 MMT.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Kuala Lumpur [MY1], MY

Table of Contents

Executive Summary 1

Annual Situation 2

Quarterly Outlook for Palm Oil 3

Production 4

Prices 5

Stock 6

Executive Summary

Production

The Malaysian Palm Oil Board (MPOB) reported that total crude palm oil (CPO) production rose by 5.4 percent from 1.22 MMT in the month of June to 1.28 MMT in July, 2003. Output in the Peninsula rose 5.9 percent in June while East Malaysia's production increased by 4.7 percent. Compared to July 2002, output during July 2003 was 27 percent higher. Malaysian oil palms continue to experience a higher yield per hectare during the current quarter (Jul-Sep) mainly due the optimal application of fertilizers in the past year and favorable weather conditions. The total CPO output is now likely to reach 13.3 MMT in 2002/03.

Price

Influenced by news of increased supply of corn and soy output in the global market, the monthly average CPO price fell from US\$395/MT in July to US\$368/MT in August, the lowest level since October, 2002. For comparison, the average CPO price for August, 2002 was US\$391/MT. The RBD Palm Oil FOB average price also declined from US\$414/MT in July to US\$395/MT in August.

Stocks

Despite the strong growth in PO exports, an increase in CPO supply together with a reduction in domestic disappearance resulted in the PO stock level increasing to 1.0 MMT at the end of July. Further increases in CPO output in the coming months are expected to be exported and Post's forecast of a carry-over stocks of 1.17 MMT by the end of September remains intact.

Trade

Preliminary official PO exports rose 9.8% from 1.05 MMT in June to 1.15 MMT in July.

Annual Situation

With the oil palms achieving higher yields during the current quarter (Jul-Sep), Post has revised the total CPO output to 13.3 MMT in 2002/03. PO exports have been revised upwards while the domestic use has been reduced. Carry-over stocks by the end of September remains intact.

| | Revised 2001/02 | Prelim 2002/03 | Forecast 2003/04 |
|--------------|--------------------|-------------------|---------------------|
| (1,000 tons) | | | |
| Beg Stock | 1,216 | 1,149 | 1,170 |
| Production | 11,858 | 13,300 | 13,700 |
| Imports | 325 | 450 | 350 |
| Total Supply | 13,399 | 14,899 | 15,220 |
| Exports | 10,163 | 12,030 | 11,500 |
| Domestic Use | 2,087 | 1,699 | 2,420 |
| Ending Stock | 1,149 | 1,170 | 1,300 |

Quarterly Outlook for Palm Oil

| | 2002 1/ | 2003 2/ | 2002 1/ | 2003 2/ |
|----------------|---------|---------|---------|---------|
| | Apr-Jun | Apr-Jun | Jul-Sep | Jul-Sep |
| | | | | |
| Beg Stocks 3/ | 1171 | 1011 | 913 | 995 |
| Prod- Pen. Mal | 1622 | 2151 | 2064 | 2480 |
| - East Mal | 1110 | 1330 | 1304 | 1520 |
| - Total | 2732 | 3481 | 3368 | 4000 |
| Imports | 33 | 63 | 111 | 100 |
| Total Supply | 3936 | 4655 | 4392 | 5095 |
| Exports 4/ | 2651 | 3107 | 2629 | 3495 |
| Dom Disap 5/ | 372 | 453 | 614 | 430 |
| End Stocks | 913 | 995 | 1149 | 1170 |

1/ Revised;

2/ Forecast;

3/ Stocks including crude and refined for all Malaysia;

4/ Exports exclude shipments of fatty acid oil distillate
and all intra-Malaysia trade;

5/ residual

Production

| | 2002 | 2002 | 2003 | 2003 | 2003 |
|-------------------------------|------|---------|--------|------|---------|
| | Jul | Jan-Jul | Jun /1 | Jul | Jan-Jul |
| (In 1,000 MT) | | | | | |
| CPO: | | | | | |
| Pen. Malaysia | 654 | 3797 | 749 | 793 | 4534 |
| East Malaysia | 355 | 2546 | 470 | 490 | 2845 |
| - Total /1 | 1009 | 6343 | 1219 | 1283 | 7379 |
| | | | | | |
| Palm Kernel : Malaysia | 269 | 1753 | 321 | 342 | 2020 |
| | | | | | |
| Palm Kernel Oil: Malaysia | 119 | 799 | 145 | 159 | 814 |
| | | | | | |
| Palm Kernel Meal: Malaysia | 139 | 930 | 168 | 183 | 1063 |

1/ Revised

Prices

(Crude delivered basis; RBD Oils in Bulk, FOB Malaysia)

| | Local Crude | RBD Palm Oil | RBD Olein | RBD Stearin |
|----------------------|-------------|--------------|-----------|-------------|
| | RM/MT | US\$/MT | US\$/MT | US\$/MT |
| Aug 2002 | 1489 | 402 | 415 | 369 |
| Sep | 1403 | 388 | 402 | 352 |
| Oct | 1388 | 379 | 394 | 343 |
| Nov | 1566 | 422 | 438 | 383 |
| Dec | 1627 | 438 | 454 | 396 |
| Jan | 1654 | 437 | 459 | 395 |
| Feb | 1617 | 434 | 449 | 395 |
| Mar | 1503 | 410 | 421 | 372 |
| Apr | 1460 | 400 | 415 | 355 |
| May | 1480 | 402 | 424 | 339 |
| Jun | 1513 | 416 | 441 | 342 |
| Jul /1 | 1500 | 414 | 442 | 338 |
| Aug 2003 (till 29th) | 1400 | 395 | 423 | 319 |

1/ Revised

Exchange Rate: Pegged at RM3.799 to US\$1.00 since 1998

Stock

| | 2002 | 2003 | 2003 | 2003 |
|---------------|------|------|---------|------|
| | Jul | May | Jun 1 / | Jul |
| (In 1,000 MT) | | | | |
| Crude P. Oil | 489 | 430 | 464 | 495 |
| Processed PO | 464 | 516 | 531 | 522 |
| - Total PO | 953 | 946 | 995 | 1017 |
| | | | | |
| Palm Kernel | 101 | 124 | 123 | 111 |
| P. Kernel Oil | 270 | 256 | 245 | 268 |

/1 Revised